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SUBJ: SECRETARY' S FOREIGN POLICY REPORT

1. TEXT OF SECTION ON SOVIET UNION IN SECRETARY' S 1972
FOREIGN POLICY REPORT SCHEDULED FOR RELEASE APRIL 19 FOL-
LOWS IN FULL.

QUOTE

THE PRESIDENT' S HISTORIC JOURNEY TO THE USSR IN 1972
RAISED OUR COOPERATION WITH THE SOVIET UNION TO THE HIGHEST
LEVEL SINCE THE DAYS OF OUR WARTIME ALLIANCE. THE UNITED
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STATES AND THE SOVIET UNION HAVE NOW ACKNOWLEDGED THAT IT IS IN OUR MUTUAL INTEREST TO ENGAGE NOT ONLY IN ARMS LIMITATION BUT ALSO IN INCREASED TRADE AND SCIENTIFIC AND CULTURAL CONTACTS. DURING THE PAST YEAR ALONE, WE CONCLUDED MORE AGREEMENTS WITH THE SOVIET UNION THAN DURING ANY YEAR SINCE US- SOVIET RELATIONS BEGAN IN 1933, AND THE LEVEL OF OUR TRADE HAS RISEN MARKEDLY. IN 1972 US EXPORTS TO THE USSR ROSE TO DOLS 547 MILLION AS COMPARED WITH DOLS 161 MILLION IN 1971; US IMPORTS FROM THE USSR IN 1972 ROSE TO DOLS 95 MILLION AS COMPARED 4.3 MILLION. IF \$4.3 MILLION APPROPRIATION RESERVE REPRESENTS ESTIMATE OF EFFECTS OF INFLATION FOR 1973, THEN FIGURE OF \$7.2 MILLION QUOTED BY FOBES DOES NOT APPEAR TO BE UNREASONABLE ESTIMATE FOR TOTAL BUDGETARY PERIOD (1973/74). GG POSITION, OF COURSE, SHOULD BE THAT \$2.9 MILLION DIFFERENCE BETWEEN APPROPRIATION RESERVE AND TOTAL EFFECT OF INFLATION FOR 1973/74 PERIOD MUST BE ABSORBED BY DG WITHIN APPROVED BUDGET.

3. WITH REGARD TO THE DT'S ESTIMATE OF \$10,257,000 OF ADDITIONAL COSTS RESULTING FROM DEVALUATION OF DOLLAR, GG MEMBERS AT EXBD SHOULD, OF COURSE, ASK DETAILED QUESTIONS AS TO HOW SECRETARIAT ARRIVED AT THIS FIGURE. SINCE MEMBERS OF SECRETARIAT HAVE FAIRLY CLEAR IDEA OF PERCENTAGE OF UNESCO'S EXPENDITURES WHICH WILL HAVE TO BE PAID IN FRENCH FRANCS DURING CURRENT BIENNIUM AND SINCE THEY KNOW THEY WILL BE GETTING ROUGHLY 0.5 LESS FRENCH FRANCS FOR EACH DOLLAR SPENT, IT IS DOUBTFUL THAT WE WILL GET MUCH RESULTS FROM THIS EXERCISE.

4. IN PERMREP'S OPINION, GENEVA GROUP SHOULD THEREFORE CONCENTRATE ON AUSTERITY MEASURES, BEYOND THE RIDICULOUS \$552,000 IN SAVINGS PROPOSED BY DG, WHICH COULD BE DISCUSSED IN F&A COMMISSION AND IN EXBD PLENARY. THIS COULD INCLUDE CUTS (ARBITRARY PERCENTAGE TO BE AGREED UPON BY GG) IN TEMPORARY ASSISTANCE, CONSULTANTS, STAFF AND CONSULTANTS' TRAVEL, CONTRACTUAL SERVICES AND PUBLICATIONS. IN ORDER NOT TO ANTAGONIZE LDC'S, THESE AUSTERITY MEASURES SHOULD BE PRESENTED AS CALLING FOR GREATER EFFORTS BY SECRETARIAT WITHOUT SUBSTANTIALLY AFFECTING THE APPROVED PROGRAM. AT SAME TIME, DG SHOULD BE URGED TO POSTPONE CONFERENCES WHENEVER POSSIBLE, TO FREEZE VACANT JOBS, AND TO USE SPARINGLY AUTHORITY FOR TRANSFERS BETWEEN APPROPRIATION LINES GIVEN TO HIM BY 17 TH GC RESOLUTION LIMITED OFFICIAL USE

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8.1. PENDING A REVIEW OF RESULTS OF SUCH AUSTERITY MEASURES, GENEVA GROUP SHOULD TAKE POSITION THAT ANY DECISION ON SUPPLEMENTARY ESTIMATES, IN ACCORDANCE WITH FINANCIAL REGULATIONS 3.9, SHOULD BE POSTPONED UNTIL 93 RD SESSION OF EXBD.

5. RE PARA 3 (B) REFTTEL, REPORT OF MANAGEMENT CONSULTANTS HAS NOT YET BEEN CIRCULATED AS EXBD DOCUMENT.

6. IF DEPT AGREES WITH SUGGESTIONS CONTAINED PARA 4 ABOVE, PERMREP COULD MAKE FORMAL PROPOSAL ALONG ABOVE LINES AT GENEVA GROUP MEETING APRIL 25. ADVISIBILITY OF ORAL DEMARCHE TO DG AND TO USSR PERMREP COULD BE DISCUSSED AT SAME TIME. PLEASE ADVISE .
IRWIN

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